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TAGS: [PGOV](#) [PHUM](#) [PINR](#) [PREL](#) [RS](#) [SOCI](#) [ECON](#) [EFIN](#)
SUBJECT: ROSTOV: TRADE HUB, PRODUCES GRUB, SUPPORTS CHUB
DESPITE CRISIS

REF: 07MOSCOW5548

Classified By: Deputy Minister Counselor David Kostelancik
for reason 1.4(d)

¶1. (C) Summary. As one of the country's most populous and temperate weather regions, Rostov Oblast in southwestern Russia boasts of being a leading agricultural and trade center. Recent travel to the region's capital, Rostov-Na-Donu (Rostov), gave us the opportunity to see how it has thrived in part because of its proximity to the Sea of Azov, the presence of sixty universities and numerous foreign businesses, and a sizable population of 1.3 million. But foul economic winds reached the region in September, and signs of business downsizing and rising unemployment loom on the horizon. Putin's economic package to rescue the agricultural sector, combined with stable regional leadership by Governor Vladimir Chub, could serve as a much-needed buoy during the economic storm. Considering the region's poorly organized and led opposition, political power rests firmly in the hands of United Russia. Mass media channels cover local events relatively freely, yet must pay deference to the ruling elite and pay extra attention to dipping advertising revenue streams. Ethnic and religious tensions continue to surface despite official claims to the contrary, and youth group efforts to encourage tolerance and social harmony have withered because of government pressure and low membership rates. End Summary.

Putin Encourages Chub With Agriculture Subsidies

¶2. (C) Putin visited the Rosselmash farm machinery plant in Rostov on December 11 to unveil a new anti-crisis proposal that included subsidies for farms that purchased domestically produced farm machinery. After discussions with Russian agriculture and industry ministry officials, Putin voiced plans to support domestic agricultural machinery production while simultaneously increasing import duties on new and second-hand foreign machinery for nine months. Putin also announced that the federal government would allocate 25 billion rubles in capital to Rosagroleasing Company, through which all domestic machinery would be purchased. This announcement served as a boon to Rostov Governor Vladimir Chub (United Russia), who established an anti-crisis council in Rostov to expose factors slowing regional economic development. Chub, in power since 1991, told council members on December 10 that the crisis would be long, as evidenced by more companies shifting to shortened work weeks, more companies that owed wage arrears, and the fact that the region had difficulty meeting its budget aims. Rostov regional authorities also told its ministries, departments, and budget-funded industries to cut expenditures in November as a result of a tax revenue shortfall. Chub has maintained his popularity over the past 17 years, receiving four points on a five-point scale in a recent International Institute for Political Expert Analysis (IIPEA) survey on "political survivability." Deputy Editor of Rostov weekly "Gorod N"

Olga Kurushina called Chub an "ambitious man" who could not be schemed out of his position, and assessed the IIPEA rating as "appropriate," adding that only Chub himself can remove him from power.

United Russia: It's All Under Control

13. (C) During a recent trip to Rostov, Head of United Russia's Executive Committee in Rostov Aleksandr Nechuskin offered little substance to us when asked about current United Russia efforts to remove juries from all court cases filed on the grounds of extremism and terrorism. Instead, he attempted to steer the conversation towards the importance of Russian-U.S. cooperation on terrorism, failing to provide background on the initiative. He characterized as "unhelpful" a November 25 KPRF rally in front of the Rostov regional administration building in protest against changing the Russian constitution without a referendum, and labeled Rostov's opposition parties as "unconstructive." Nechuskin dismissed any rumors of a United Russia-Just Russia squabble in Rostov Oblast, noting that his party "attempted to work closely with its colleagues in the region on concrete measures, but did not want to simply criticize the government" in a reference to the Communist Party (KPRF) and Yabloko. Rostov weekly Molot's Chief Editor Lidiya Rtishcheva contradicted Nechuskin, telling us that United Russia and Just Russia clashed in November over a vote in the town of Novoshakhtinsk in Rostov Oblast. She claimed that United Russia officials pressured and blamed her for "biased reporting" about the dissolution of and subsequent reformation of Novoshakhtinsk's parliament. Rtishcheva and Gorod N Deputy Editor Olga Kurushina agreed, however, that

the regional population considered the opposition parties weak, and especially thought of the new "Right Cause" party as a "joke."

Foreign Investment Could Prop Rostov Economy

14. (C) Rostov's economic ministry downplayed the impact of the economic crisis on Rostov's inhabitants. Deputy Minister of Economics, Commerce, and External Relations Valeriy Yevteyev predicted a healthy economy in Rostov, bolstered by federal agricultural support, foreign investment, and an increase in exports. He pointed to Rostov's meat industry, anthracite deposits, and machinery companies as domestic cash cows, while noting that American businesses Coca Cola, Pepsi, John Deere, and Alcoa all provided significant employment and capital to the region. He touted the productive discussions his ministry led with a delegation of investors from South Korea's Association for Trade with Russia and the CIS, which visited Rostov to inquire about sea container traffic in early November, hoping to build on annual trade with Rostov region already totaling 800 million USD. Yevteyev denied any widescale crisis in Rostov, claiming that "people were receiving their pay and businesses received credit from the banks." He called attention to the growing number of countries with official representation in Rostov, including existing consulates from Ukraine, Romania, Armenia, Slovakia, Hungary, and France, with South Korea and Bulgaria also planning to establish a presence in the near future.

15. (C) In contrast to official statements, journalists offered a more sober assessment of the influence of Russia's economic downturn. Gorod N's Kurushkina told us that people in Rostov see everything as "unpredictable," although the environment calmed in November once investors could withdraw funds from ATM machines again. Radio Ekho Rostov reported on December 2 that approximately 300 organizations in Rostov region estimated that about 5,000 workers would be laid off because of reorganization and liquidation of assets. Local news program "Vesti Don" broadcast on December 2 that 1,000 residents of Rostov region lost their jobs in November, with the possibility of another 3,000 layoffs through January 2009. RBC Television provided a much more dire forecast on November 17, saying that Rostov's largest companies may have

to fire 40,000 employees (1 percent of the Rostov regional population) without financial support from the state.

¶6. (C) Economic indicators in Rostov also signaled tough times ahead. Wage arrears in the oblast reached 20 million rubles on November 1 (note: most recent figures), according to the online newspaper www.yugregion.ru, in contrast to official comments from Yevteyev. Grain prices in agriculturally-dependent Rostov decreased in October and November as a result of a world grain surplus, lack of storage and processing facilities, and the economic downturn. Rostov's official inflation rate (12.2 percent) from January to September 2008 exceeded that of Russia's official national average (10.6 percent). Electricity tariffs will increase by 27 percent for the Rostov regional population in 2009, according to Regnum News, and several cafes in Rostov, as in other Russian markets, began to offer anti-crisis discounts in November, cutting food prices by 25 percent. One Rostov network of clothing stores called Kultovary even attempted to attract customers using posters featuring a man that looked similar to President-elect Obama, urging them to buy despite the economic crisis.

Media Outlets Feeling the Pinch

¶7. (C) Several local media outlets faced the possibility of downsizing as a result of the economic crisis, with national and regional outlets already reducing their presence. Molot's Rtishcheva explained to us that her newspaper (daily distribution 10,000-12,000) had lost significant advertising revenue since October and, as a result, would either reduce the amount of paper used in each edition, the number of copies distributed to street vendors, or the number of employees in the office in coming months. In order to help her prospects for new financing and to work proactively towards local economic solutions, she has organized several economic roundtables at Molot for top business leaders. Head of political reporting at Gorod N's Olga Kurushina believed that her paper faced fewer problems than some because its long-standing focus on economics appealed to a more affluent audience, but admitted that it had considered different avenues to cut expenditures, including staff reductions. Concerning national media, local offices of the national papers Komsomolskaya Pravda and Moskovskiy Komsomolets decreased the number of pages for each paper in late November, and Rossiskaya Gazeta announced that it would suspend its "South Russia" supplement soon. Rumors circulated in the press that newspapers Komsomolets and Trud would stop circulation of their respective regional supplements in coming weeks. STS television reported that it would lay off its staff in early 2009, and the regional unit of Channel 5 - St. Petersburg already ceased broadcasting.

HR Ombudsman: Rostov Is Calm, But Scared By Extremism

¶8. (C) Rostov Region Human Rights Ombudsman Anatoliy Kharkovskiy told us on December 15 that interethnic difficulties, extremism, xenophobia, and religious persecution did not exist in Rostov "because the region's residents had grown used to living with one another in peace for centuries." While acknowledging that disagreements arose between people from different ethnic, racial, and religious backgrounds, he could not think of any situations that merited attention. When questioned about the effects of the economic crisis on nationalist sentiment in Rostov, Kharkovskiy changed his tone, adding that the current rise in Russian extremism "scared him," especially when one considered that Rostov's population consisted of several ethnic groups that primarily looked out for its own interests. He expected additional problems of extremism in Moscow because of the number of migrants, but could not offer a prediction about Rostov. Moscow-based extremism monitor SOVA Center's Alexander Verkhovskiy commented in September 2008 that Rostov continued to experience ethnic tension, supported by youth group Young Europe's survey data that showed over 60 incidents in 2007 of ethnic or racial

discrimination among foreign students.

¶9. (C) Kharkovskiy believed that religious groups in Rostov enjoyed complete freedom to worship in any manner they chose, without government restriction. He mentioned that, while the majority of the population was Russian Orthodox, there were large concentrations of Koreans, Armenians, Jews, Caucasian-born Muslims, and Eastern Europeans. As an atheist, he compared the current situation to that in the 1960s, recounting his own decision to baptize his son in the Orthodox Church and fearing retribution from Soviet officials. Instead of discussing examples of religious or ethnic tension in Rostov, Kharkovskiy took the opportunity to chastise the United States for its abuse of human rights in democratization campaigns in Kosovo, Iraq, and Somalia, and questioned repeatedly whether U.S. intervention has helped any country since 1991.

Youth Groups Active, But Restricted By Government

¶10. (C) The number and efficacy of Rostov's youth groups continued to decline in 2008. Rostov's regional directorate of the Russian Ministry of Justice confirmed on November 19 that 69 youth organizations and 12 non-commercial organizations working with youth groups had registered properly; however, the Justice Ministry had struck 139 youth organizations off its book since 1992 because of insufficient data. YHRM's Mikushkin complained, however, about the burden placed on registering youth groups and NGOs in Rostov, detailing his personal ordeal to receive an official receipt from Rostov's regional tax service, necessary to operate legally, that adjudicated a bank mistake for a debt of 17 rubles (60 cents). Molodaya Evropa (Young Europe) Coordinator for Rostov Konstantin Baranov told us that FSB officials had followed him and his colleagues, scrutinizing his documents after recent coordination trips to Ukraine. Over the past year, Baranov noted reduced access to regional universities where Young Europe conducted seminars with teachers, students, and journalists, claiming that government officials instructed the university to refuse their access. As a result, he admitted an interest in pursuing different projects, concluding that "the overall pressure to keep quiet about Rostov's mood of intolerance hinders my work too much."

¶11. (C) Several youth organizations in Rostov continued to promote tolerance and human rights despite financial setbacks and government scrutiny. While Molot's Rtishcheva noted to us the large number of youth groups in Rostov, she believed that "they did not make any waves." Youth for Human Rights Movement (YHRM) affiliate in Rostov Director Fyodor Mikushkin

told us that his organization focused on small focus groups to advocate respect for religious, ethnic, and lifestyle differences, using movies and field trips to attract the target audience. He pointed to the education system in Rostov oblast as a primary facilitator of intolerance, telling us that the administration segregates students from Chechnya, Africa, or Central Asia from the other students, thereby hindering the exchange students' ability to integrate and make social connections. Director of the youth organization Generation LEX Svetlana Pakhomova advertised the organization's projects to empower youth to think critically and openly about the need to respect human rights, but acknowledged that government support remained low and membership in the organization insignificant. Young Europe's Baranov told us that his organization worked closely with the Moscow Helsinki Group and planned to publish new statistics on regional monitoring of extremism cases. The most vulnerable populations, in his mind, were dark-skinned foreign students and Caucasian migrants, with whom Young Europe tried meet to teach ways to navigate police shakedowns and language barriers.

Comment

¶12. (C) Without substantial regional reliance on turbulent oil and gas stocks (note: Rostov Oblast has neither), Rostov's natural assets and business climate provide a foundation for some means of economic stability despite harbingers of a recession. Government leaders and journalists, thankful for Moscow's promised subsidies, appeared confident that the region's relatively diverse economic portfolio puts them in a position to weather the storm. As United Russia faces no serious political obstacles, they should remain in power, regardless of any adverse economic consequences.

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